

# OVERVIEW OF CUBA'S DOLLAR FOOD MARKET: AN EXPLORATION OF THE PURCHASING AND DISTRIBUTION SYSTEM

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Cuba's purchasing and distribution system servicing the market for dollar foods<sup>2</sup> is decentralized and complex. It is composed of: (1) retail stores trading only with dollars, (2) hotels and restaurants catering to tourists for dollars, (3) food processing companies that sell a portion of their production within Cuba for dollars, and (4) institutions that receive imported food products. Government agencies and mixed enterprises supplying the system purchase for their own account, or for other companies, and wholesale and retail for either dollars or pesos.

## SYSTEM STRUCTURE

Dollar foods purchased and sold in Cuba are both produced domestically and imported through national and foreign enterprises operating in Cuba. Domestically produced dollar foods and beverages are grown or manufactured by state-owned or controlled entities or by foreign companies operating under Foreign Investment Law No. 77. Small private farmers may also participate in the dollar food market; however, their participation in terms of dollars is relatively insignificant.

State production entities include national food manufacturers, state farms, and state-controlled agricul-

tural cooperatives. A mixed enterprise, an entity with foreign interest, generating dollar food products may include a food manufacturer or an agricultural production unit. A mixed enterprise producing dollar foods may take the form of a joint-venture investment, an international economic association contract, or a cooperated production agreement. There are no totally foreign owned food production or manufacturing operations in Cuba.

One government agency, Alimport (Empresa Cubana Importadora de Alimentos) is Cuba's main food and feedstuff importing company. Other importing agencies of dollar foods include government-owned holding companies that supply retail dollar stores, and government-owned companies and mixed enterprises that own or operate tourist hotels, resorts and restaurants. Some joint-venture hotels have agreements under the foreign investment law to import directly, without going through a government purchasing company. Because of the foreign company's supplier contacts and expertise, government-owned hotels, at times, may import through the joint venture or contract agreement companies. The supply and quality of food products available through the

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1. A more detailed report on Cuba's dollar food market will be available at a later date. For a copy, contact [jeros@ufl.edu](mailto:jeros@ufl.edu).

2. As used in this paper, the term "dollar foods" refers to food and beverage products, whether imported or produced domestically, that are sold to consumers, either foreign or Cuban, for dollars. Dollar foods also include ingredients purchased with dollars or sold for dollars by the food processing industry.

importing company may determine which source is used.<sup>3</sup>

Foods sold or made available directly to consumers and the tourist industry for dollars generally include those products classified as consumer-oriented, but may also include products classified as intermediate and bulk. Consumer-oriented products are imported under the jurisdiction of the Cuban Ministry of Public Health (Ministerio de Salud Pública—MINSAP). Imports of intermediate and bulk agricultural products are regulated by the Ministry of Agriculture (Ministerio de Agricultura—MINAGRI).<sup>4</sup>

Consumer-oriented foods may be imported through several different agencies and companies, while some intermediate products and all bulk commodities are imported by Alimport. Some consumer-oriented foods may also be imported by Alimport to supply ration stores and other institutions. Alimport also purchases imported food ingredients for the food industry sector. In addition, dollar stores and other government-owned companies may receive food products imported by Alimport.

Other entities involved in the dollar food chain include in-home family restaurants (restaurantes particulares), known generally as *Paladares*.<sup>5</sup> These restaurants are limited to family employment and may serve only 12 customers at one time. They may charge their customers in either pesos or dollars; however, most *paladares* request dollars for payment. *Paladares* do not import food products, but purchase those products through the retail dollar stores, state-operated agricultural markets, semi-private *agromercados*, and from other sources. The economic impact

of the private restaurants on the dollar food market is negligible.<sup>6</sup>

### STORES SELLING DOLLAR FOODS (TRDS)

Retail stores selling food and beverage products for dollars (*ventas minoristas en divisas*) are scattered throughout the country. The stores are owned by the Cuban government. No foreign investment in these stores has been permitted. In all of these retail stores, known as Dollar Stores or TRDs (*Tiendas de Recuperación de Divisas*), food products that have been imported or produced domestically are sold for dollars.

In Havana there are approximately 300 dollar stores, and roughly 1,000 in the entire country. Most of the dollar stores outside Havana are located in the tourist areas of Varadero, Ciego de Avila, Holguin, Santiago de Cuba, Camagüey and Pinar de Río.

Cuba's dollar food market encompasses many semi-autonomous government-owned and operated companies. The companies are incorporated and have the Sociedad Anónima (S.A.) designation. Generally, the companies control their own hard-currency revenues and can make purchases on their own account. Sociedad Anónima companies must remit a monthly payment to the government. The amount is negotiated between the government and the company directors.<sup>7</sup>

The major dollar store chains and the government corporations owning them include:

- *Tiendas Panamericanas* (CIMEX S.A.)
- *Tiendas Universo* (CUBANACAN S.A.)
- *Tiendas Caracol* (HORIZONTES Hoteles S.A.)

3. Caribbean Basin Agricultural Trade Office of the USDA/Foreign Agricultural Service in Miami. See recent reports on food laws and the food service sector, GAIN Reports #CU2001, 2002, and 2003.

4. Ibid.

5. *Paladar*, translated means palate or taste, but the origin of the use for the Cuban family restaurants is said to be taken from a Brazilian soap opera. The main character goes to the capital and establishes a chain of small restaurants called *Paladares*.

6. Henken, Ted. "Last Resort or Bridge to the Future: Tourism and Workers in Cuba's Second Economy," *Cuba in Transition—Volume 10* (Washington: Association for the Study of the Cuban Economy, 2000), p. 331.

7. *Cuba: A Guide for Canadian Businesses*. Department of Foreign Affairs and International Trade. The Canadian Trade Commissioner Service, June 1999.

- Tiendas y Supermercados de la Sociedad Meridiano S.A. (CUBALSE Corporation—imported foodstuffs valued at \$19.7 million in 2001)
- *Tiendas TRD Caribe* (GAVIOTA S.A.)
- *Tiendas de Habaguanex S.A.* (HABAGUANEX S.A.)

Priorities for supplying the stores, whether food or non-food products, are: first, products of national origin; second, mixed enterprises (companies with foreign investment, either joint ventures, international economic association contracts, or cooperative production agreements); and third, foreign sources.

For example, products of national origin (the highest priority) could be supplied by a state-owned company such as Frutas Selectas S.A. The semi-autonomous company selects the best fruits and vegetables produced by state-owned farms and state-controlled cooperatives and markets the products to the tourist hotels and restaurants. Mixed enterprises, the second highest priority, could include Sherritt Green or Tropiflora. Sherritt Green is a government joint venture with Sherritt International of Canada. Tropiflora is a joint venture with Israeli interests. Both companies produce fruit and vegetables for sale to tourist hotels and restaurants. The third priority would be food imports.

Prices of products sold in the dollar stores are normally higher than those offered in other internal food markets. The consumer may pay a price that is 200% or more above the imported price or the price in one of the internal food markets.<sup>8</sup> Products similar to those available in the dollar stores may be found at lower prices in other internal markets.

In addition to dollar stores, the Cuban retail food market includes: ration stores (*Mercado de Alimentos Racionados*); agricultural or farmers' markets ( *Mercados Libres Agropecuarios—MLA*); Ministry of Agri-

culture markets (*Mercado de Productos Agrícolas a Precios Topados*); agricultural "fairs" held on the last Sunday of each month (*Las Ferias Agropecuarias*); urban garden markets (*ventas en los huertos y organopónicos*); places of sale direct to the consumer by the CPA (Cooperatives of Agricultural Production) and the EJT (Youth Work Army); and the Cadena de Tiendas Imágenes—stores selling processed foods under the jurisdiction of the Ministry of Internal Trade, MINCIN.<sup>9</sup>

Of all of Cuba's official internal food markets, only the dollar stores trade in dollars. The other internal food markets trade in pesos, but do compete with the dollar stores. Quality of products in the dollar stores is normally superior to those in the other internal markets.<sup>10</sup>

In May 2002, the Cuban government announced that prices in the dollar stores would be increased significantly; however, food prices were to remain the same or decline. In fact, many food prices did fall, only prices for chocolate products and preserved foods increased. The increase, generally, was 10 to 15 U.S. cents above the previous price.

## TOURIST HOTELS AND RESTAURANTS

Cuba rates its hotels on a star basis, ranging from one to five stars. A five-star hotel is better than a four-star, etc. The rating system does not compare facilities and services to comparable stars of hotels in other countries, but is used only to compare quality of hotels within Cuba. With current standards, most international tourism and the resulting market for dollar foods, is concentrated in three, four and five-star hotels. While two-star and one-star hotels provide a limited market for imported dollar food products, the major source of food for these hotels is the domestic market.

8. Armando Nova González, "El mercado interno de los alimentos," *Cuba—Reflexiones Sobre su Economía*, La Habana, 2002, p. 193.

9. Ibid.

10. For detailed information on the internal markets, including price comparisons and an explanation of why consumers buy at TRDs when the same product can be purchased for less at other markets, see José Alvarez, "Rationed Products and Something Else: Food Availability and Distribution in 2000 Cuba," *Cuba in Transition—Volume 10* (Washington: Association for the Study of the Cuban Economy, 2001).

Cuba has more than 300 tourist properties with about 40,000 rooms. Less than 100 of the tourist hotels are classified as four- and five-star hotels. Four-star hotels account for approximately 40% of room occupancy, while five-star and three-star hotels each account for about 20%. Annual growth in tourism in the 1990s was more than 15%, but in 2001 the number of tourists was only slightly more than the year before, approximately 1.8 million. The slow start for tourism in 2002 could result in even fewer tourists than recorded each of the last two years.

In the early 1990s, when tourists numbered some 300,000, only 12% of the products and services required for the tourist industry were provided through national production. Almost all food products needed for tourist hotels and restaurants were imported. All of the beer and bottled water served to tourists was imported. As a result of economic reforms in the mid-1990s and pursuit of a policy of protectionism, the supply situation was reversed and Cuba now supports some 65% of the tourist hotel and restaurant needs through national production. One national brewery, a joint venture, supplies about 95% of the tourist market for beer and another joint venture supplies almost all of the bottled water.<sup>11</sup>

The semi-autonomous companies serving the tourist industry include: Corporación Cubanacán, Grupo Hotelero Gran Caribe, Horizontes Hoteles, Habaguanex, Grupo de Turismo Gaviota, Islazul, Grupo de Recreación y Turismo Rumbos, Compañía de Marinas Puerto Sol, and the Complejo de Convenciones. To some extent, all of the companies compete with each other, but they concentrate on different segments of the tourist market. No foreign investment has been introduced in the ownership of these companies.

**Corporación Cubanacán S.A.** accounts for more than 40% of the tourist market. It was formed to operate four- and five-star hotels, restaurants, cafeterias, retail stores, water recreation centers, tourist health facilities, and tourist reception and other recreation

centers. Cubanacán also produces and sells artisan handicrafts and operates a transportation company that provides tour buses and rents automobiles.

Many of the tourist hotels, administered as either international economic association contracts or joint ventures, involve Cubanacán. Joint investment arrangements under Foreign Investment Law No. 77 have been developed by Cubanacán with Grupo Sol Meliá (Spain), LTI (Germany), Golden Tulip (Holland), and SuperClubs (Jamaica).

**Grupo Hotelero Gran Caribe S.A.** operates more than 40 hotels classified as four- and five-star hotels. Gran Caribe hotels have 9,500 rooms for tourists scattered throughout the country, but are located mainly in Havana and Varadero. In addition, the group operates three primary tourist attractions in Havana, the Restaurant La Bodeguita del Medio, Bar and Restaurant La Floridita, and the Cabaret Tropicana.

**Horizontes Hoteles S.A.** is a hotel chain, mostly three- and four-stars, with more than 7,000 rooms. Horizontes also operates facilities with mineral water baths, treatment for stress, etc. One spa (*Centro Hospitalario que Atiende Múltiples Enfermedades*) treats patients with health problems characteristic of the Caribbean.

**Grupo de Recreación y Turismo Rumbos S.A.**, founded in 1994, has grown approximately 20% annually. It operates facilities for both national and international tourists in Cuba's major tourist cities and secondary locations. Rumbos is diversified, and has established businesses in: a travel agency; various types of restaurants, including fast food (comidas rápidas, restaurantes y parrilladas); small lodges in cities, on beaches, in the country, at golf courses, airports, and marinas; and eco-tourism. Currently, Rumbos is planning eight new golf courses to meet the standards for both international golf amateurs and professionals.

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11. Miguel Alejandro Figueras Pérez, "El turismo internacional y la formación de clusters productivos en la economía cubana," *Cuba—Reflexiones sobre su Economía*, La Habana, 2002, pp. 111 and 112.

**Compañía de Marinas Puerto Sol S.A.** was created to develop marinas, piers, recreational boat activities, etc. The company owns 390 rooms in two-star and local hotels to meet the needs of tourists and nationals.

**Grupo de Turismo Gaviota S.A.** is a tourism company controlled by the Revolutionary Armed Forces. It is dedicated to operation of four- and five-star hotels, development of marinas, restaurants and cafeterias, recreational water facilities, and health facilities for tourists. It also operates a transportation company that offers tourist buses and rental of automobiles and taxis.

**Habaguanex S.A.** belongs to the historical office of Havana (Oficina del Historiador de la Ciudad). It was established to develop three- and four-star hotels for international tourists in the Historic Center of Old Havana (*Centro Histórico de la Habana Vieja*). Currently, it is renovating various hotels and opening restaurants in the oldest part of the city.

**Islazul S.A.** was established to develop two- and three-star hotels for international tourists seeking low-cost accommodations.

**Complejo de Convenciones** includes operation of the Palace of Conventions (Palacio de las Convenciones), Hotel Palco, the restaurants, Rancho Palco and El Palenque, and Club Habana. It also administers the Sala de Exposiciones (PABEXPO), the *Mansión Residencial (Casa de Protocolo—House of Protocol)*, and the auto rental agency, Palcocar. Basically, the complex specializes in the development of tourist events and conventions.

A few foreign companies have negotiated contract agreements that permit them to import food directly for their tourist facilities. Foreign companies having arrangements under Foreign Investment Law No. 77 with the Cuban companies often operate as hotel administrators and assume responsibility for food and beverage services. Some have taken equity positions in the hotels owned by the holding companies. These include, among others: Grupo Sol Meliá and Hoteles

C from Spain; Accor and Club Med from France; LTI and RIU from Germany; Delta Hotels and Resorts, Commonwealth Hospitality Ltd., and Leisure Canada Inc. from Canada; Viaggi di Ventaglio and Press Tours from Italy; and SuperClubs from Jamaica. About 30% of Cuba's hotels involve investments with foreign companies. There are no totally foreign owned hotels in Cuba.

## FOOD MANUFACTURERS

Food processors in Cuba import substantial amounts of food ingredients for use in the manufacture of food products. About 20% of the national production is sold for dollars, either through sales for dollars in Cuba or by exporting.

All food manufacturers in Cuba are under the jurisdiction of the Ministry of Food Industries (*Ministerio de la Industria Alimenticia—MINAL*), created in 1965. MINAL oversees industries manufacturing, principally, milk and meat products, cereals, confections, bread, biscuits and crackers, pastries, fruit and vegetable products, alcoholic beverages, water, soft drinks, and beer. Industries milling bulk commodities, such as wheat and rice, also are under the jurisdiction of MINAL.

At the time of the establishment of the Ministry of Food Industries, Cuba was importing most of the processed food consumed. In addition, most of the primary material used by the existing national food manufacturing industry was imported. There was little growth in food processing until food research centers were introduced. Between 1970 and 1975, the Food and Agricultural Organization of the United Nations and the governments of Sweden and the Netherlands provided financing for pilot plants devoted to applied research in the lactic, meat-processing, and vegetable and fruit-preserving branches.<sup>12</sup>

International assistance from 1975 to 1990 for research and development in Cuba's food industry led to substantial growth in food manufacturing. Production increases during this period included: canned meats, 157%; canned fruits and vegetables,

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12. *Business Tips on Cuba*, August 1996, p. 20.

66%; cheeses, 143%; and wheat flour, 126%. The number of production lines had grown from 57 in 1975, to more than one thousand by 1989.

With the loss of Soviet and Eastern Block trade preferences in 1989 and 1990, there was a progressive decline in Cuban production in general until the mid-1990s. Food industry executives were forced to introduce products that made it possible to raise production volumes through increased use of extenders and substitutes in products destined for the domestic market. The imperative was to maintain nutritional values despite a reduction in agricultural production, especially of meat products.

Between 1989 and 1994, the worst period for the Cuban economy, the food processing industry registered a dramatic decline of 42% in the value of its output, along with a reduction of 74% in national raw-material supplies from the agricultural sector, and a 34% drop in imported raw materials.<sup>13</sup>

In 1994, Cuba's production of manufactured food products was 45% of the output in 1989. The output of beverages was 56%. By 2000, beverage production had increased to 81% of the 1989 level. Food manufacturing increased more slowly, reaching only 54%. While the food industry has had significant growth since 1994, production remains substantially less than the output level of more than a decade earlier.<sup>14</sup>

Production lines that are growing the most include: beer, soft drinks, mineral water, alcoholic beverages for export, powdered milk, pastas, flour, soft cheese, ice cream, and yogurt. Wheat flour production also showed some increase, while milled rice production decreased substantially. In 1998 the value of production among eight "Uniones" in MINAL was \$1.25 billion. About \$25 million was destined for dollar markets, either through the dollar stores or by ex-

porting. Growth of production in 1998 was 27% more than the year before. (More recent data are not available to the authors at this time.)

Sixteen of Cuba's food manufacturing companies are joint ventures and 12 are Cooperated Production Agreements.<sup>15</sup> Each of the 16 mixed enterprises are associated with Coralsa (La Corporación Alimentaria—CORAL S.A.), a holding company constituted within MINAL in 1996. The Ministry restructured in the mid-1990s to promote increased support for food industry firms operating with foreign capital. Participation of Coralsa in the 16 enterprises ranges from 40% to 50%. Fixed assets of the companies at the time of restructuring were placed at \$36 million. They had \$4 million in working capital and \$25.5 million in the process of investment.

Enterprises associated with Coralsa produce and market sausages, candies and confections, products derived from wheat, instant beverages, wines, beers, soft drinks and mineral waters, as well as technological and refrigeration equipment for the food industry. In 1994, the mixed enterprises had a combined value of production of \$20 million. By 2000, the value of production of the mixed enterprises had reached \$140 million.<sup>16</sup>

Another area of activity of the Cuban food industries sector has been the overseas food processing operations in which there is Cuban capital and technology. A portion of the earnings from these industries is returned to Cuba. Cía. de Tasajo de Uruguay, for example, was established in Uruguay to process jerked beef and other meat products for export to Cuba and other Latin American and African countries. A Coralsa-owned company, Carnes del Mercosur S.A., located in Cuba, imports and markets the products in Cuba for the internal market.

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13. Ibid, p. 18.

14. *Anuario Estadístico Cuba 2000*. Capítulo VIII, Sector Industria.

15. Omar Everleny Pérez Villanueva, "La inversión extranjera directa en Cuba: Evolución y perspectivas," *Cuba—Reflexiones Sobre su Economía*, La Habana, 2002, p. 90.

16. Pérez Villanueva, p. 90.

## INSTITUTIONS AND THE ROLE OF ALIMPORT

All dollar purchases of food for use in institutions are conducted through Alimport, a government-owned company operating under the auspices of the Ministry of Foreign Trade. Alimport decides who to do business with, what quantity to buy based on end customers' needs, and negotiates and fixes prices. It also decides buying terms depending on seller, delivery terms and place, financial facilities, and freight advantages.<sup>17</sup>

For FAS and FOB operations, Alimport relies on a logistics group in charge of chartering vessels and monitoring the whole process of transportation from the operational standpoint. Alimport works with Cuban flag vessels, brokers, or directly with foreign flag-ship owners, and agrees on terms and operates with them as per international practice standards.

For CFR, CIF, CPT and CIP operations, the Alimport logistics group ensures shipping terms are in accordance with contract terms. It also follows up on shipment and carriage of goods until delivery at port of destination. Alimport negotiates and agrees on discharging terms with port terminal and stevedoring companies. According to Alimport's president, Alimport looks after needs of its end-customers and its purchasing strategy is based on such needs.<sup>18</sup>

In May of 2002, the Cuban government designated Alimport as the exclusive purchasing agent for U.S. based companies that want to export food products direct from the United States to Cuba. Alimport will purchase agricultural and branded food products from U.S.-based companies and re-sell, or transfer, the products to other Cuba-based companies.<sup>19</sup>

## ESTIMATED VALUE OF THE DOLLAR FOOD MARKET

Data are not available to indicate the value of food imported or produced domestically for each of the four major areas distributing dollar foods and beverages—dollar stores, tourist hotels and restaurants, food manufacturers and institutions. Data and information that are available, however, indicate food imports amount to approximately \$650 to \$700 million, or about 14% of Cuba's total imports.<sup>20</sup>

Approximately half of the food imported by Cuba meets the classifications of intermediate and consumer-ready products. The remaining half consists of bulk commodities, such as wheat, coarse grains, pulses, and rice. Pulses and rice may enter the dollar store market direct, as well as be provided to ration stores and institutions. Most of the bulk and some of the intermediate products are resold to the food manufacturing companies. A large percentage, perhaps 50%, of the food products imported are resold through dollar stores and the tourist hotels and restaurants.

Food products sold through the Ministry of Agriculture to the tourist sector and dollar stores in 2001 totaled \$167.5 million, an increase of 3.46% compared to gross revenues of US \$161.7 million reported in 2000.<sup>21</sup> Cuba reported gross revenues from marketing agricultural commodities to the tourism sector of US \$59 million in 1998 and US \$70 million in 1999. Allowing for continued growth, an estimated value of food produced under the auspices of the Minister of Agriculture and sold for dollars this year could reach \$170 million to \$200 million.

Processed foods sold through the Ministry of Food Industries to the tourist sector and dollar stores, assuming most of the mixed enterprise production and

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17. Presentation by Mr. Pedro Alvarez Borrego, President of Alimport, Agricultural Sales Conference, Cancún, Mexico, Jan. 30-Feb. 2, 2002.

18. Ibid.

19. On May 12, 2002, the president of Alimport reported that Alimport would be the exclusive agent in Cuba for U.S. based companies. U.S.-Cuba Trade and Economic Council.

20. Estimate by authors based on USDA/FAS data showing about \$600 million in 1999 for food imports.

21. U.S.-Cuba Trade and Economic Council. March 18, 2002.

some of the national company production enter the dollar market, could range from \$200 million to \$300 million.

The value of products grown in Cuba by mixed enterprises is unknown, but could range from \$20 to \$30 million. Food from domestic production sold in Paladares for dollars is estimated to be relatively small. Combining the estimated data provides a total of all foods sold in Cuba for dollars to an estimated level ranging from \$800 million to \$1 billion.<sup>22</sup> Tourists<sup>23</sup> and foreign businessmen,<sup>24</sup> along with Cubans who receive dollars through remittances, and various means, are the sources of hard currency to buy the dollar foods.<sup>25</sup>

The European Union and Canada provide about half of the food imports, while Mexico, and Latin American (Argentina and Brazil for soybean products) and Asian countries (China, Thailand and Vietnam for rice imports) are also important sources of food imports. More than half of Europe's agricultural exports to Cuba, which totaled \$185 million in 1999, consisted of wheat flour, vegetable oils and consumer-ready products, primarily dairy products and poultry meat. Wheat accounted for about 45% of the total. Canada's agricultural exports to Cuba, \$115 million in 1999, were largely (83%) pulses and consumer-oriented products, such as red meat, poultry and dairy products.

### FACTORS AFFECTING THE CURRENT MARKET

1. Cuba's purchasing and distribution system for dollar foods is an intricate network of organizations authorized to import and distribute food products in Cuba for dollars. Organizations in-

clude government agencies, state-owned companies, mixed enterprises, associated foreign firms and licensed private restaurants. They all purchase and/or sell food directly or indirectly for dollars in Cuba.

2. TRDs (dollar stores) and the tourist hotels and restaurants are the primary markets for dollar foods in Cuba. Ration stores, institutions and food industries provide the largest market for bulk commodities, and an important market for foods classified as intermediate and consumer-oriented products.
3. Alimport is the country's largest food importing company. Food imported by Alimport is distributed to Cuban consumers for pesos, or sold for dollars through various channels. Distribution of food sold for pesos is made through ration stores and government institutions. Some of the food products and beverages imported by Alimport are sold for dollars through dollar stores, tourist facilities, and food processors. Government tourist hotel and restaurant holding companies, government agencies importing for dollar stores, and mixed enterprises operating tourist facilities are also important importers of food sold in Cuba for dollars.

### FACTORS AFFECTING THE FUTURE MARKET

1. The decision by the government of Cuba to make Alimport the exclusive importing agency for food and agricultural products from the United States raises questions regarding market strategy for U.S. exporters. For example:

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22. This is a preliminary estimate by the authors. It is hoped that a more substantiated estimate can be included in the study underway. (A reminder that an estimate of value of food entering the dollar market in Cuba does not include food imported by Cuba that enters the peso and institutional markets.)

23. Tourists pay for food with hard currency at tourist hotels, and provide tips for services. Those dollars are used, largely, to make food and other purchases in the dollar stores.

24. Some mixed enterprises supplement workers' income with dollars, either through negotiated arrangements with the Cuban government or through other means. The dollars are then used by the Cuban workers to purchase dollar foods and other dollar items.

25. Remittances, money sent to Cubans by family members and other contributors living overseas, are generally estimated to range between \$600 million and \$1 billion annually. These dollars, while the route may not always be direct, end up primarily being used in the dollar stores.

- Will Alimport increase food imports from the United States to replenish the country's food reserves diminished by Hurricane Michelle? If so, the potential market would appear good for food products, such as rice, pulses, vegetable oil, dairy products, chicken meat, and wheat flour.
  - A large number, reportedly 50 to 100<sup>26</sup>, Cuba-based mixed enterprises, international association contract entities and government-owned companies have authorization from the Cuban government to import food products.
  - Since November 2001, many of these companies have established contacts with U.S.-based companies. Will these companies be able to import the products they want through Alimport?
2. Also, will any of Cuba's authorized importing companies, other than Alimport, be permitted to import U.S.-branded products from third countries, or will Alimport be the exclusive importer of these products?
  3. The growth of Cuba's dollar food market, to a large extent, is contingent on continuation of a relatively high level of remittances, and increases in tourism and foreign investment. With elevated security concern worldwide following events on September 11, 2001 in the United States, and economic recession in Canada and Europe, growth of tourism in Cuba has decreased. Foreign investment also appears to be on a descending trend. With less tourist growth and shrinkage of disposable income for tourists, as well as reduced foreign investment, Cuba's dollar food market could be affected negatively.
  4. Perhaps the greatest unknown is the future of travel restrictions for U.S. tourists to Cuba. Lifting of the U.S. imposed restrictions on travel could result in a large number of tourists going to Cuba. This would create a substantial increase in demand in Cuba for dollar food and beverage products.

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26. Caribbean Basin Trade Office, USDA/FAS. (More than 300 state-owned, but decentralized, enterprises had been licensed to import all products as of 1999 by the Ministerio del Comercio Exterior (MINCEX), Ministry of Foreign Trade, according to the Canadian Department of Foreign Affairs and International Trade.)